

Message Text

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10
ACTION EA-10

INFO OCT-01 ISO-00 EB-07 L-03 INR-07 /028 W
----- 086575

R 280730Z MAY 75
FM USLO PEKING
TO SECSTATE WASHDC 3819
INFO AMCONSUL HONG KONG

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STADIS////////////////////////////////////

E.O.11652: N/A
TAGS: ETRD, BDIS, CH, US
SUBJECT: ICC INDUSTRIES CANTON FAIR CONTRACT

FOR EA/PRCM, ATTENTION LINCOLN AND SMITH

1. USLO HAS RECEIVED FOLLOWING CABLE ADDRESSED TO WILLIAM ROPE FROM JOHN FARBER PRESIDENT ICC INDUSTRIES, NEW YORK.
2. QUOTE. OUR REPRESENTATIVE, CHARLES MADSEN, HAS BEEN FORCED TO SIGN A CONTRACT FOR 1200 TONS OF FURFURAL DURING THE LAST WEEK OF THE CANTON FAIR AFTER PEKING REPRESENTATIVE ALLEGED THAT VERBAL AGREEMENT WAS REACHED WITH OUR PRESIDENT DURING HIS VISIT OT CANTON DURING PRIOR WEEK. AN ORDER FOR 200 METRIC TONS HAD BEEN CONCLUDED DURING MY VISIT AND A FIRM OFFER FOR AN ADDITIONAL 1,200 METRIC TONS WAS GIVEN TO ME BUT NEVER ACCEPTED. WE INSIST THAT THE 1200 TON CONTRACT WAS UNAUTHORIZED AND MUST BE CANCELLED. LETTER OF CREDIT FOR INITIAL 200 METRIC TONS HAS BEEN OPENED STRICTLY SUBJECT TO CANCELLATION OF 1200 TONS. SIGNED JOHN FARBER, PRESIDENT ICC. UNQUOTE.

3. BACKGROUND OF THIS IS AS FOLLOWS: DURING FINAL ROUND OF CALLS AT CANTON FAIR, ROPE CALLED ON A MR. HUO, OF SINOCHAM MAY 13. AT CLOSE OF CALL HUO DELIVERED DISCOURSE ON IMPORTANCE OF HONORING VERBAL BUSINESS AGREEMENTS AND
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SAID HIS CORPORATION WAS HAVING PROBLEMS WITH ICC.

ACCORDING TO HUO, ICC'S PRESIDENT HAD VISITED CANTON ABOUT A WEEK EARLIER AND HAD FULLY CONFIRMED PRICE AND AMOUNT FOR A PURCHASE OF 1200 TONS OF FURFURAL. ACCORDING TO HUO, IT WAS AGREED THAT THE CONTRACT WOULD BE SIGNED ON MORNING OF MAY 13, BY ICC'S HONG KONG REPRESENTATIVE (MADSEN). WHEN MADSEN ARRIVED, HUO SAID, HE REFUSED TO SIGN THE CONTRACT AND INSTEAD SOUGHT TO NEGOTIATE THE PRICE DOWN FROM THE PREVIOUSLY AGREED LEVEL. SINOCHAM DID NOT LIKE THIS, HUO SAID, BUT NONETHELESS OFFERED TO REDUCE ITS PRICE BY FIVE PERCENT IF MADSEN WOULD SIGN CONTRACT. HUO CLOSED THIS PRESENTATION BY ASKING ROPE TO DISCUSS THE MATTER WITH MADSEN. ROPE EXPLAINED SEPARATION OF USG AND US COMPANIES TO HUO, AND NOTED THAT FORMER COULD NOT COMPEL LATTER TO SIGN CONTRACTS. NEVERTHELESS, ROPE PROMISED TO SPEAK WITH MADSEN TO SEE IF HE COULD HELP IN ANY WAY.

4. ON AFTERNOON OF MAY 14 ROPE ENCOUNTERED MADSEN. MADSEN HAD CONCLUDED SEVERAL HOURS OF HEATED NEGOTIATION THAT MORNING AND SAID HE HAD AGREED TO SIGN THE CONTRACT. ROPE THEN RECOUNTED HUO'S APPROACH TO ROPE AND ADDED THAT THIS WAS ONLY COMPLAINT USLO HAD RECEIVED FROM A PRC CORPORATION DURING THE FAIR. MADSEN WAS INTERESTED TO LEARN OF SINOCHAM'S EXPRESSED UNHAPPINESS BUT SAID MATTER WAS NOW SETTLED AND CONTRACT WOULD BE SIGNED.

5. ACTION REQUESTED: WE WOULD APPRECIATE IT IF LINCOLN OR SMITH WOULD CONTACT FARBER TO ACKNOWLEDGE RECEIPT OF HIS CABLE BY USLO. PLEASE INFORM FARBER THAT WHILE WE DID RECEIVE A COMPLAINT FROM SINOCHAM ALONG LINES OUTLINED ABOVE, WE DID NOT INTERVENE IN THE NEGOTIATION THEN AND WE CANNOT DO SO NOW. AS WE READ FARBER'S CABLE TO US, IT STATES THAT ICC IS UNWILLING TO IMPLEMENT THE 1200 TON CONTRACT. WE REGRET THAT A MISUNDERSTANDING HAS ARISEN WHICH LED TO ICC'S SIGNING OF A CONTRACT WHICH IT WILL NOT IMPLEMENT, BUT WE MUST LEAVE IT TO ICC TO STRAIGHTEN OUT THE MATTER THROUGH COMMUNICATIONS WITH SINOCHAM. OUR ONLY ADVICE, SHOULD FARBER SEEK IT, WOULD BE THAT ICC SHOULD GIVE THIS MATTER CAREFUL CONSIDERATION. FAILURE TO OPEN AN L/C FOR A \$1.5 MILLION PURCHASE IS LIKELY TO PREJUDICE ICC'S FUTURE BUSINESS PROSPECTS WITH PRC. UNDER LIMITED OFFICIAL USE

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THE CIRCUMSTANCES, ICC MIGHT WANT TO CONSIDER SENDING A REPRESENTATIVE TO PEKING TO EXPLAIN ICC'S POSITION OR SEEK FURTHER RENEGOTIATION OF THE CONTRACT IF THAT IS WHAT IS NEEDED.

6. THE ABOVE IS COMMERCIALLY SENSITIVE INFORMATION. BUSH

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